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SUBJECT: JORDANIAN PRESS LAUDS ENTRY INTO FORCE OF FREE TRADE
AGREEMENT WITH IRAQ; OFFICIALS DOWNPLAY SIGNIFICANCE

REFS: A) 09 Amman 2671
- B) 09 Amman 1955
- C) 09 Amman 1177
- D) 09 Amman 672
- E) 09 Amman 226

¶1. (SBU) The Jordanian press has recently been reporting stories about the "breakthrough" Iraq-Jordan Free Trade Agreement (FTA) entering into effect in January 2010, suggesting the Iraq-Jordan FTA represents a major step toward restoring pre-2003 trade ties between the two countries. Ministry of Industry and Trade (MOIT) officials confirmed to EmbOffs that the Government of Jordan (GOJ) signed an FTA with Iraq in September 2009, but explained the agreement had no defined timeline for implementation and was still awaiting ratification by the legislative and executive authorities of both countries. The officials, however, reported that they were not concerned about this "vagueness" because both countries had previously signed a regional waiver of tariffs in January 2005, and therefore the FTA was merely a du jure documentation of an already existing practice. MOIT officials went on to explain that the purpose of this FTA was to ensure that both countries were in-compliance with the Greater Arab Free Trade Agreement (GAFTA), to which both countries are signatories and which requires members to establish favorable, reciprocal trade agreements.

¶2. (U) Regardless of the FTA, MOIT officials noted that trade with Iraq experienced significant increases in 2008 and 2009, making Iraq one of Jordan's top five export destinations, with an estimated USD 800 million worth of exports to Iraq in 2009 (ref B). They further noted that 2009 decreases in U.S. demand for garments manufactured in Jordan's Qualifying Industrial Zones (QIZs) and the related decrease in Jordanian exports to the U.S. further increased the statistical standing and importance of Iraq as a trading partner (refs C, D, and E).

¶3. (SBU) The media is optimistic the FTA will further strengthen commercial ties. Prior to 2003, Jordan had a broad trade relationship with Iraq, which included the purchase of oil at concessionary prices. Notwithstanding the increases of the past two years, trade has been hampered, in part, by the GOJ's strict border control measures to control migration and tighten security following the 2005 Amman hotel bombings, lack of infrastructure in Iraq, and reluctance by Jordanian firms to reestablish themselves in Iraq.

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